

AR22

ANNUAL
REPORT
1968



SILVERFIELDS
MINING CORPORATION LIMITED

SILVERFIELDS MINING CORPORATION LIMITED

Suite 4900

Toronto-Dominion Centre

Toronto 1, Ontario

AR22

NOTICE OF A GENERAL MEETING OF SHAREHOLDERS

TAKE NOTICE that a General Meeting of the Shareholders of Silverfields Mining Corporation Limited will be held at the Nova Scotia Room, Royal York Hotel, Toronto, Ontario, on the 29th day of August, 1968, at the hour of 10:30 o'clock in the forenoon, Eastern Daylight Saving Time to:

1. consider and, if thought fit, adopt (with or without alteration or modification) the agreement for amalgamation between the Company and Pickle Crow Gold Mines (Consolidated) Limited (formerly Pickle Crow Gold Mines Limited), a copy of which accompanies this notice; and
2. transact such further and other business as may properly come before the meeting.

A summary of the principal provisions of the amalgamation agreement referred to above is set forth in the accompanying information circular. In addition to a copy of the amalgamation agreement between the Company and Pickle Crow Gold Mines (Consolidated) Limited, unaudited balance sheets of the Company and Pickle Crow Gold Mines Limited and pro forma balance sheets of Pickle Crow Gold Mines (Consolidated) Limited and the Amalgamated Company, all as at June 30, 1968, accompany this notice.

Shareholders who are unable to attend the meeting in person are requested to date and sign the enclosed form of instrument of proxy and return it to the Secretary of the Company using the stamped enclosed form provided for that purpose.

DATED at Toronto this 7th day of August, 1968.

By Order of the Board of Directors

R. J. WRIGHT

Secretary

WHEN RETURNING PROXY, PLEASE DETACH HERE — SIGN AND FOLD — SEAL AND MAIL



SILVERFIELDS MINING CORPORATION LIMITED

SUITE 4900
P. O. BOX No. 49

TORONTO-DOMINION CENTRE
TORONTO 1, CANADA

TEL: 416-362-1571
TELEX: 02-29087

August 7, 1968.

To the Shareholders:

In our letter of July 9, 1968 we outlined a proposal of amalgamation with Pickle Crow Gold Mines Limited whereby your company could obtain the benefit of certain assets and credits which Pickle Crow had built up over the years but could not use since it is no longer carrying on income-producing mining operations.

The various steps, transfers and consolidation have now been completed by Pickle Crow Gold Mines Limited and approved at their shareholders' meetings on July 29 and July 31, 1968.

The plan of amalgamation was approved at a Silverfields directors' meeting on July 31, 1968 and is now being presented to the shareholders for their adoption at the General Meeting on August 29, 1968, as set forth in the accompanying notice.

Under the plan Silverfields shareholders will receive 1 share of the amalgamated company, also to be named Silverfields Mining Corporation Limited, for each 1 share now held. No immediate exchange in present certificates will be needed by individual shareholders.

Pickle Crow Gold Mines (Consolidated) shareholders are to receive 1 Class A \$4.00 par value Redeemable Convertible share for each 1 share of Pickle Crow (Consolidated). Shares may be converted into Silverfields common on a share for share basis. The plan would involve the shareholders of the present Pickle Crow Gold Mines receiving 17,777 shares of the Class A Redeemable Convertible stock or, if converted, 17,777 shares of common stock.

For further details shareholders may refer to the provisions of the Amalgamation Agreement dated July 31, 1968 between Silverfields and Pickle Crow Gold Mines (Consolidated) Limited, a copy of which is enclosed, and the summary of its principal provisions set forth in the accompanying Information Circular. Unaudited balance sheets of Silverfields and Pickle Crow Gold Mines Limited, and pro forma balance sheets of Pickle Crow Gold Mines (Consolidated) Limited and the new Amalgamated Company, all as of June 30, 1968, are also enclosed in the Circular.

If the proposal is approved at the Meeting it is planned to have the amalgamation become effective on August 31, 1968 so the advantages and credits available to the new amalgamated company will start with the September 1, 1968 fiscal year.

On behalf of the Board

N. B. KEEVIL

President

SILVERFIELDS MINING CORPORATION LIMITED

INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of Silverfields Mining Corporation Limited (hereinafter called the "Company") of proxies to be used at the General Meeting of the Shareholders of the Company (the meeting) to be held at the time and place and for the purposes set forth in the accompanying notice of such meeting.

EXPENSE AND METHOD OF SOLICITATION

The cost of solicitation by management will be borne by the Company. The solicitation will be made primarily by mail, but may be supplemented by solicitation personally by directors, officers and employees of the Company without special compensation.

APPOINTMENT OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. A proper form of proxy which is duly executed and returned to the secretary of the Company and not revoked will be voted by the persons therein named in accordance with the directions contained therein, subject to the provisions of Section 105 of The Securities Act, 1966, of Ontario.

In the absence of such directions, it is intended that such shares will be voted for the adoption of the agreement of amalgamation dated July 31, 1968 between the Company and Pickle Crow Gold Mines (Consolidated) Limited.

A shareholder has the right to appoint a person to attend and act for him and on his behalf at the meeting other than the persons designated in the form of proxy forwarded to shareholders. Such right may be exercised by striking out the names of the persons designated in the form of proxy and inserting in the blank space provided the name of the person to be appointed, or by completing another proper form of proxy, and, in either case, delivering the completed proxy to the secretary of the Company or the chairman of the meeting.

RIGHT OF REVOCATION

A shareholder who has given a proxy may revoke it at any time before it is exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing, or if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of such meeting on the day of the meeting, or any adjournment thereof, and upon either of such deposits the proxy is revoked.

EXERCISE OF DISCRETION BY PROXY

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of the meeting and with respect to other matters which may properly come before the meeting. At the date of this circular, the management of the Company knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

VOTING SHARES

The authorized capital of the Company consists of 3,000,000 shares with a par value of \$1.00 each of which on the date of this circular 1,500,005 shares are issued and outstanding as fully paid and non-assessable, each carrying the right to one vote per share. Holders of shares of record will be entitled to one vote at the meeting for each share held. Votes may be given either personally or by proxy, and in the case of a corporation, by a representative duly authorized.

The directors and senior officers of the Company do not know of any person or company, beneficially owning, directly or indirectly, shares carrying more than 10 per cent of the voting rights attached to all shares of the Company, other than the following:

Shareholder	Shares Beneficially Owned	Percentage of Outstanding Shares
Copperfields Mining Corporation Limited	400,000	26.6

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

From September 1, 1967, to June 30, 1968 the Company paid as part of its exploration, geological and development expenses at the mine, the sum of \$27,614 to Geophysical Engineering & Surveys Limited to provide services, personnel, facilities, etc., in this respect, based upon prices consistent with those in the industry. Geophysical Engineering & Surveys Limited is a private company providing consulting services for the mining industry, as well as carrying out research and development in geophysical techniques, in which Dr. N. B. Keevil is a substantial shareholder.

INTEREST OF CERTAIN PERSONS AND COMPANIES IN MATTERS TO BE ACTED UPON

No person who has been a director or senior officer of the Company at any time since September 1st, 1967, or any associate of any such director or senior officer, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the meeting. As indicated in the notice of meeting, shareholders are being asked to adopt an amalgamation agreement between the Company and Pickle Crow Gold Mines (Consolidated) Limited, ("Pickle Crow"), formerly Pickle Crow Gold Mines Limited. Dr. Norman B. Keevil, President and a director of the Company, is also President and a director of Pickle Crow, and Mr. Robert J. Wright, Secretary and a director of the Company, is also a director of Pickle Crow.

PARTICULARS OF MATTERS TO BE ACTED UPON

The Company and Pickle Crow have agreed to amalgamate as one continuing company under the name of SILVERFIELDS MINING CORPORATION LIMITED ("the Amalgamated Company") subject to the adoption of the amalgamation agreement by the shareholders of the Company and to all necessary approvals and consents being obtained. Accompanying this information circular is a letter from the President of the Company outlining the results of the proposed amalgamation, and a copy of the amalgamation agreement. Also accompanying this information circular are unaudited balance sheets of the Company and Pickle Crow Gold Mines Limited, a pro forma balance sheet of Pickle Crow illustrating its position following the completion of the matters hereinafter referred to, and a pro forma balance sheet of the Amalgamated Company, all as at June 30th, 1968.

Approval of the proposed amalgamation by the board of directors of the Company was conditional upon Pickle Crow having carried out certain corporate proceedings as follows:

- (1) incorporation of a subsidiary company, Pickle Crow Explorations Limited ("Explorations"), the lease of the lands and premises owned by Pickle Crow and formerly operated as its gold mine to Explorations for a period of 99 years at a rental of \$1.00 per year, and the transfer to Explorations of Pickle Crow's net current assets, investments, and prospect properties, as of June 30th, 1968, in consideration of the issuance to Pickle Crow by Explorations of 3,555,395 shares of Explorations as fully paid and non-assessable.
- (2) the application for and receipt of supplementary letters patent issued by the Lieutenant Governor of the Province of Ontario reconstituting the capital of Pickle Crow, which application provided inter alia for:
 - (a) changing its shares with a par value of \$1.00 each into share without par value;
 - (b) decreasing its issued capital from \$3,555,400 to \$71,108 by the elimination of the discount on its issued shares in the amount of \$489,450 and the impairment of its capital in the amount of its deficit of \$2,122,619, and by the repayment of capital pro rata to its shareholders of \$872,223 in specie (in the form of the 3,555,400 shares of Explorations);
 - (c) consolidating its shares on the basis of one share without par value in the capital of the Company as reconstituted for each 200 existing shares with a par value of \$1.00 each.
- (3) the adoption of the amalgamation agreement by the shareholders of Pickle Crow.

All of the above steps were carried out by Pickle Crow by July 31st, 1968. Explorations was incorporated by Letters Patent dated June 21st, 1968, and agreements dated July 3rd, 1968 between Pickle Crow Gold Mines Limited and Explorations providing for the lease and transfer referred to above were approved and authorized by the shareholders of Pickle Crow on July 29th, 1968. A copy of the agreement of lease and a copy of the agreement of sale of assets are available for inspection by any shareholder during normal business hours prior to the meeting at the head office of the Company. Under the provisions of the agreement of sale, Explorations agreed to assume all liabilities of Pickle Crow arising out of or resulting from activities of Pickle Crow up to and including June 30th, 1968, other than Pickle Crow's current liabilities in the amount of \$17,335 as at such date, which are provided for by the retention by Pickle Crow of an equal amount of current assets. Explorations further agreed to indemnify Pickle Crow for any such assumed liabilities.

Pickle Crow obtained Supplementary Letters Patent dated July 30th, 1968, inter alia changing its name from Pickle Crow Gold Mines, Limited to Pickle Crow Gold Mines (Consolidated) Limited and reconstituting its capital in accordance with the provisions of the application referred to above. As a result, the issued and outstanding capital of Pickle Crow was changed from 3,555,400 shares with a par value of \$1.00 each to 17,777 shares without par value. Arrangements for the distribution by Pickle Crow of all 3,555,400 of its shares of Explorations to its shareholders have been completed, and on July 31st, 1968, the amalgamation agreement was adopted by the shareholders of Pickle Crow. For the amalgamation to become effective, the amalgamation agreement must be adopted by the shareholders of the Company and Letters Patent of amalgamation issued by the Lieutenant Governor of Ontario. Shareholders of the Company are therefore being asked to approve the amalgamation by passing a resolution at the meeting to adopt the amalgamation agreement.

The result of the actions taken by Pickle Crow is reflected in the pro forma balance sheet of that Company as at June 30th, 1968. An illustration of the result of the amalgamation of Pickle Crow and Silverfields is provided by the accompanying pro forma balance sheet of the Amalgamated Company as at June 30th, 1968.

The following is a summary of the principal provisions of the amalgamation agreement:

- (1) Silverfields and Pickle Crow will amalgamate as a continuing company under the name of SILVERFIELDS MINING CORPORATION LIMITED.
- (2) Its authorized capital will be divided into 25,000 Class A shares with a par value of \$4.00 each and 3,000,000 common shares without par value.
- (3) The authorized capital of Silverfields and Pickle Crow will be converted into the authorized capital of the Amalgamated Company as follows:
 - (a) the 17,777 issued shares without par value of Pickle Crow outstanding following the issuance of supplementary letters patent referred to above will be converted into 17,777 issued and fully paid Class A shares with a par value of \$4.00 each in the capital of the Amalgamated Company; and
 - (b) the 1,500,005 issued shares with a par value of \$1.00 each of Silverfields will be converted, share for share, into 1,500,005 issued and fully paid common shares without par value in the capital of the Amalgamated Company.
- (4) The conditions to be attached to the shares of the Amalgamated Company provide that the Class A shares may be redeemed by the Amalgamated Company upon payment of the amount paid up thereon, together with unpaid dividends, and may be converted at any time into fully paid common shares without par value of the Amalgamated Company on the basis of one (1) common share without par value for each Class A share with a par value of \$4.00 each. Reference is hereby expressly made to numbered paragraph 6 of the amalgamation agreement for details of the conditions attaching to the shares.

In the event that the amalgamation agreement is adopted by the shareholders of the Company and confirmed by the issuance of Letters Patent of Amalgamation, each shareholder of the Company will hold one (1) common share without par value in the capital of the Amalgamated Company for each share with a par value of \$1.00 each in the capital of the Company now held by him, and each shareholder of Pickle Crow (Consolidated) will hold one (1) Class A redeemable convertible share with a par value of \$4.00 each in the capital of the Amalgamated Company for each share without par value in the capital of Pickle Crow (Consolidated) held by him following the consolidation referred to above.

By Order of the Board of Directors,

R. J. WRIGHT,

Secretary.

SILVERFIELDS MINING CORPORATION LIMITED

UNAUDITED AND PRO FORMA BALANCE SHEET

As at June 30, 1968

ASSETS		Balance Sheet Before Amalgamation	Amalgamation Adjustments	Pro Forma Balance Sheet After Amalgamation
Current Assets				
Cash		\$ 51,324	\$ 4,285	\$ 55,609
Short Term Deposits		1,570,904	13,001	1,583,905
Ore Settlements Receivable		852,800	—	852,800
Accounts Receivable		28,724	49	28,773
Prepaid Expenses and Deposits		29,198	—	29,198
Supplies and Materials at Cost		67,789	—	67,789
		<u>2,600,739</u>	<u>17,335</u>	<u>2,618,074</u>
Federal Refundable Tax		33,609	—	33,609
Investments in and Advances to Associated Companies		78,011	—	78,011
Fixed Assets — At Cost				
Buildings, Plant and Equipment		486,018	71,107	557,125
Less: Accumulated Depreciation		234,552	—	234,552
		<u>251,466</u>	<u>71,107</u>	<u>322,573</u>
Mining Properties and Rights at Nominal Value		1	1	2
		<u>251,467</u>	<u>71,108</u>	<u>322,575</u>
Deferred Expenditure				
Development and Exploration		27,991	—	27,991
Joint Mining Ventures		79,334	—	79,334
		<u>107,325</u>	<u>—</u>	<u>107,325</u>
Less: Amortization		7,047	—	7,047
		<u>100,278</u>	<u>—</u>	<u>100,278</u>
		<u>\$3,064,104</u>	<u>\$ 88,443</u>	<u>\$3,152,547</u>
LIABILITIES				
Current Liabilities				
Accounts Payable and Accrued Liabilities		\$ 54,315	\$ 17,335	\$ 71,650
Accrued Production Royalties		85,324	—	85,324
Ontario Mining Tax Provision		76,393	—	76,393
Corporation Tax Payable		202,761	—	202,761
		<u>418,793</u>	<u>17,335</u>	<u>436,128</u>
Shareholders' Equity				
Capital Stock				
Authorized —				
25,000 Class A Shares of a Par Value of \$4 each (redeemable at par)				
3,000,000 Common Shares of no Par Value				
Issued —				
17,777 Class A Shares		—	71,108	71,108
1,500,005 Common Shares		1,500,005	—	1,500,005
		<u>1,500,005</u>	<u>71,108</u>	<u>1,571,113</u>
Less: Discount		1,065,000	—	1,065,000
		<u>435,005</u>	<u>71,108</u>	<u>506,113</u>
Retained Earnings		2,210,306	—	2,210,306
		<u>2,645,311</u>	<u>71,108</u>	<u>2,716,419</u>
		<u>\$3,064,104</u>	<u>\$ 88,443</u>	<u>\$3,152,547</u>

Note: The above statement is unaudited and subject to adjustment.

PICKLE CROW GOLD MINES LIMITED

UNAUDITED AND PRO FORMA BALANCE SHEET

As at June 30, 1968

	Pickle Crow Gold Mines Limited Balance Sheet	Pro Forma Balance Sheet Pickle Crow Explorations Limited	Adjustments To Reduce Capital	Pro Forma Balance Sheet Pickle Crow Gold Mines (Consolidated) Limited
ASSETS				
Current Assets				
Cash	\$ 4,285	\$ —		\$ 4,285
Accounts receivable	6,137	6,088		49
Short term deposits	295,000	281,999		13,001
Marketable securities (Market Value \$339,225)	347,128	339,225	(7,903)	
Special refundable tax	956	956		
	<u>653,506</u>	<u>628,268</u>		<u>17,335</u>
Investments				
Associated companies — Shares and debentures at cost	<u>25,050</u>	<u>25,050</u>		
Fixed Assets				
Mining Claims and properties at estimated realizable value	<u>71,108</u>			<u>71,108</u>
Deferred Expenditures				
Outside exploration property rights and development — at cost ..	<u>218,905</u>	<u>218,905</u>		
	<u>\$ 968,569</u>	<u>\$ 872,223</u>		<u>\$ 88,443</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	6,335	—		6,335
Unclaimed dividends	<u>11,000</u>			<u>11,000</u>
	<u>17,335</u>			<u>17,335</u>
Shareholders' Equity				
Capital Stock				
Authorized 5,000,000 shares @ \$1.00 each				
Issued 3,555,400 shares	3,555,400	3,555,400	2,612,069	71,108
Less: discount	<u>489,450</u>	<u>2,683,177</u>	(489,450)	
	<u>3,065,950</u>	<u>872,223</u>		
Deficit	2,114,716		(2,122,619)	
Addition to deficit			7,903	
	<u>951,234</u>	<u>872,223</u>		<u>71,108</u>
	<u>\$ 958,569</u>	<u>\$ 872,223</u>		<u>\$ 88,443</u>

AMALGAMATION AGREEMENT

THIS AGREEMENT made this 31st day of July, 1968.

BETWEEN :

SILVERFIELDS MINING CORPORATION LIMITED
a Company incorporated under the laws of Ontario,
(hereinafter referred to as "Silverfields")

OF THE FIRST PART,

— and —

PICKLE CROW GOLD MINES (CONSOLIDATED) LIMITED
a Company incorporated under the laws of Ontario,
(hereinafter referred to as "Pickle Crow")

OF THE SECOND PART.

WHEREAS Silverfields and Pickle Crow were incorporated under the laws of Ontario and have the same or similar objects;

AND WHEREAS Silverfields and Pickle Crow acting under the authority contained in The Corporations Act (Ontario) have agreed to amalgamate upon the terms and conditions hereinafter set out;

AND WHEREAS Silverfields and Pickle Crow have each made full disclosure to the other of all their respective assets and liabilities;

AND WHEREAS Pickle Crow has caused to be incorporated a company under the laws of Ontario with the name Pickle Crow Explorations Limited and has entered into a certain agreement of lease and has transferred certain assets thereto, which lease and transfers have been approved at a special general meeting of the shareholders of Pickle Crow on the 29th day of July, 1968;

AND WHEREAS it is desirable that said amalgamation should be effected;

NOW THEREFORE THIS AGREEMENT WITNESSETH as follows:

1. In this Agreement the expression "Amalgamated Company" means the Company continuing from the amalgamation of Silverfields and Pickle Crow, the parties hereto;
2. Silverfields and Pickle Crow do hereby agree to amalgamate under the provisions of Section 96 of The Corporations Act and to continue as one company under the terms and conditions hereinafter set out;
3. The name of the Amalgamated Company shall be

SILVERFIELDS MINING CORPORATION LIMITED

and the objects of the Amalgamated Company shall be as follows:

(a) To acquire, own, lease, prospect for, open, explore, develop, work, improve, maintain and manage mines and mineral lands and deposits, and to dig for, raise, crush, wash, smelt, assay, analyze, reduce, amalgamate, refine, pipe, convey and otherwise treat ores, metals and minerals, whether belonging to the Company or not, and to render the same merchantable and to sell or otherwise dispose of the same or any part thereof or interest therein;

- (b) To take, acquire and hold as consideration for ores, metals or minerals sold or otherwise disposed of or for goods supplied or for work done by contract or otherwise, shares, debentures or other securities of or in any other company having objects similar, in whole or in part, to those of the Company hereby incorporated and to sell and otherwise dispose of the same; and
 - (c) To carry on the business of mining, milling, reduction and development.
4. The authorized capital of the Amalgamated Company shall be divided into 25,000 Class A shares with a par value of \$4.00 each and 3,000,000 common shares without par value, provided that the 3,000,000 common shares without par value of the Company shall not be issued for a consideration exceeding in amount or value the sum of \$3,000,000.00 or such greater amount as the board of directors of the Company deems expedient on payment to the Treasurer of Ontario of the fees payable on such greater amount and on the issuance by the Provincial Secretary of a certificate of such payment.
5. The authorized capital of Silverfields and Pickle Crow shall be converted into the authorized capital of the Amalgamated Company as follows:
- (a) The 17,777 issued shares without par value of Pickle Crow shall be converted into 17,777 issued and fully paid Class A shares with a par value of \$4.00 each of the Amalgamated Company; and
 - (b) The 1,500,005 issued shares with a par value of \$1.00 each of Silverfields shall be converted, share for share, into 1,500,005 issued and fully paid common shares without par value of the Amalgamated Company.

After the issue of Letters Patent confirming this Agreement, the shareholders of Pickle Crow when requested by the Amalgamated Company shall surrender the certificates representing shares held by them in Pickle Crow and in return shall be entitled to receive certificates for shares of the Amalgamated Company on the basis aforesaid, and the certificates for shares in Silverfields shall be deemed to be certificates for shares in the Amalgamated Company.

6. The preferences, rights, conditions, restrictions, limitations and prohibitions attaching to the Class A shares and the common shares of the Amalgamated Company shall be as follows:
- (i) All dividends declared in any fiscal year of the Amalgamated Company shall be declared and paid in equal amounts per share on all the Class A shares and all the common shares at the time outstanding without preference or distinction;
 - (ii) The Amalgamated Company may, upon giving notice as hereinafter provided, redeem the whole or any part of the Class A shares on payment for each share to be redeemed of the amount paid up thereon, together with all dividends declared thereon and unpaid provided that before redeeming any Class A shares, the Amalgamated Company shall mail to each person who, at the date of such mailing, is a registered holder of shares to be redeemed, notice of the intention of the Amalgamated Company to redeem such shares held by such registered holder; such notice shall be mailed by ordinary prepaid post addressed to the last address of such holder as it appears on the books of the Amalgamated Company or, in the event of the address of any such holder not appearing on the books of the Amalgamated Company, then to the last known address of such holder, at least thirty (30) days before the date specified for redemption; such notice shall set out the redemption price, the date on which redemption is to take place and, if part only of the shares held by the person to whom it is addressed is to be redeemed, the number thereof so to be redeemed; on or after the date so specified for redemption the Amalgamated Company shall pay or cause to be paid the redemption price to the registered holders of the shares to be redeemed, on presentation and surrender of the certificates for the shares so called for redemption at the office in the City of Toronto, Canada, of the Amalgamated Company's transfer agent for such shares or at such other place or places as may be specified in such notice, and the certificates for such shares shall thereupon be cancelled, and the shares represented thereby shall thereupon be redeemed; from and after the date specified for redemption in such notice, the holders of such shares called for redemption shall cease to be entitled to dividends and shall not be entitled to any rights in respect thereof, except to receive the redemption price, unless payment of the redemption price shall not be made by the Amalgamated Company in accordance with the foregoing provisions, in which case the rights of the holders of such shares shall remain unimpaired; on or before the date specified for redemption the Amalgamated Company shall have the right to deposit the redemption price of the shares called for redemption in a special account with any chartered bank or trust company in Canada named in the notice of redemption to be paid, without interest, to or to the order of the

respective holders of such shares called for redemption upon presentation and surrender of the certificates representing the same and, upon such deposit being made, the shares in respect whereof such deposit shall have been made shall be redeemed and the rights of the several holders thereof, after such deposit, shall be limited to receiving, out of the moneys so deposited, without interest, the redemption price applicable to their respective shares against presentation and surrender of the certificates representing such shares;

(iii) The Amalgamated Company may, at any time and from time to time, purchase for cancellation the whole or any part of the Class A shares at the lowest price at which, in the opinion of the directors, such shares are obtainable but not exceeding the amount paid up thereon, together with all dividends declared thereon and unpaid;

(iv) In the event of the liquidation, dissolution or winding up of the Amalgamated Company, whether voluntary or involuntary, the holders of the Class A shares shall be entitled to receive, before any distribution of any part of the assets of the Amalgamated Company among the holders of any other shares, the amount paid up thereon and any dividends declared thereon and unpaid and no more;

(v) The holders of the Class A shares shall be entitled to receive notice of and to attend at any meeting of shareholders of the Amalgamated Company and shall be entitled to one (1) vote thereat for each Class A share held provided that the authorization for an application for the issue of supplementary letters patent to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Class A shares or to create Class A shares ranking in priority to or on a parity with the Class A shares, in addition to the authorization by a special resolution, may be given by at least two-thirds ($\frac{2}{3}$) of the votes cast at a meeting of the holders of the Class A shares duly called for that purpose;

(vi) The Class A shares, or any of them, may, upon and subject to the terms and conditions hereinafter set forth, be converted at any time by the holder or holders thereof into fully-paid common shares of the Amalgamated Company on the basis of one (1) common share for each Class A share; provided, however, that, in the event of liquidation, dissolution or winding up of the Amalgamated Company, such right of conversion shall cease and expire at noon on the business day next preceding the date of such liquidation, dissolution or winding up;

A holder of Class A shares desiring to convert his Class A shares into common shares in accordance with the foregoing shall surrender the certificate or certificates representing his Class A shares so to be converted to the head office of the Amalgamated Company or to the transfer agent for the time being of such Class A shares, together with a request in writing for such conversion with his signature thereon verified, as the directors of the Amalgamated Company may from time to time require;

In the event that the Amalgamated Company shall redeem the whole or any part of the Class A shares, such right of conversion shall cease and expire on the date on which such redemption takes place as provided in Clause (vi) hereof;

If the number of outstanding Class A shares or common shares shall, prior to the exercise by the holder of any Class A shares of his aforesaid conversion right, be subdivided or consolidated, the number of common shares into which such holder may convert his Class A shares shall be proportionately increased or decreased, as the case may be;

Nothing contained in the foregoing provisions regarding the conversion of Class A shares into common shares shall be deemed in any way to limit or restrict the right of the Amalgamated Company from time to time to take such lawful proceedings as it may deem advisable for the increase or decrease of its Class A or common shares, or otherwise in any other manner changing or dealing with the authorized capital of the Amalgamated Company or the shares thereof, the rights in respect of such conversion being exercisable in respect of Class A shares and of common shares of the Amalgamated Company as they may from time to time be constituted respectively, subject only to the express provisions hereinbefore contained;

7. The head office of the Amalgamated Company shall be at the City of Toronto in the County of York;

8. The board of directors of the Amalgamated Company until otherwise determined by special resolution, shall consist of five (5) members, and the first directors of the Amalgamated Company with their names, callings and place of residence, shall be the following:

<u>Name</u>	<u>Calling</u>	<u>Residence</u>
Joseph Herman Hirshhorn	Executive	Suite 1601, 8 King Street East, Toronto 1, Ontario.
Stephen Kay	Professional Engineer	21 Springbank Avenue, Scarborough, Ontario.
Norman Bell Keevil	Geophysicist	866 Tennyson Avenue, Port Credit, Ontario.
Douglas Alton Perigoe	Stockbroker	14 Yonge Boulevard, Toronto 12, Ontario.
Robert James Wright	Solicitor	226 Stibbard Avenue, Toronto 12, Ontario.

The said first directors shall hold office until the first annual meeting of the Amalgamated Company, or until their successors are elected or appointed. The subsequent directors shall be elected each year thereafter at either a general meeting or the annual meeting of the shareholders by a majority of the votes cast at such meeting. The management and working of the Amalgamated Company shall be under the control of the board of directors from time to time, subject to the provisions of The Corporations Act.

9. Silverfields shall contribute to the Amalgamated Company all its assets subject to all its liabilities as more particularly set forth in the balance sheet of Silverfields as of August 31st, 1967, subject to changes since that date in the ordinary course of business.
10. Pickle Crow shall contribute to the Amalgamated Company all its assets subject to all its liabilities as more particularly set forth in the balance sheet of Pickle Crow as of December 31st, 1967, subject to changes since that date in the ordinary course of business and subject to the lease and transfers by Pickle Crow to Pickle Crow Explorations Limited referred to above.
11. The Amalgamated Company shall possess all the property, rights, privileges and franchises and shall be subject to all the liabilities, contracts, disabilities and debts of Silverfields and Pickle Crow.
12. All rights of creditors against the property, rights and assets of Silverfields and Pickle Crow and all liens upon their property, rights and assets shall be unimpaired by such amalgamation and all debts, contracts, liabilities and duties of Silverfields and Pickle Crow shall thenceforth attach to the Amalgamated Company and may be enforced against it.
13. No action or proceeding by or against Silverfields or Pickle Crow shall abate or be affected by such amalgamation.
14. The by-laws of Silverfields shall, so far as applicable, be the by-laws of the Amalgamated Company, until repealed, amended, altered or added to.
15. Upon the shareholders of Silverfields and Pickle Crow respectively adopting this Agreement, such fact shall be certified upon the Agreement by the Secretary of each of the parties hereto under their respective corporate seals, and the parties hereto by their joint application shall on or before the 30th day of September, 1968, apply to the Lieutenant-Governor of the Province of Ontario for Letters Patent confirming this agreement.

16. Silverfields and Pickle Crow may, by resolution of their respective directors, assent to any alteration or modification of this Amalgamation Agreement which the shareholders of the respective companies at meetings called to consider the same, or the Provincial Secretary of Ontario, may approve and the expression "Amalgamation Agreement" as used herein shall be read and construed to mean and include this Amalgamation Agreement as so altered or modified.

IN WITNESS WHEREOF this Agreement has been duly executed by the parties hereto under their respective Corporate Seals as witnessed by the signatures of their proper officers in that behalf.

Signed, Sealed and Delivered
in the presence of:

A. F. REID

SILVERFIELDS MINING CORPORATION
LIMITED

Per N. B. KEEVIL
President

c/s

R. J. WRIGHT
Secretary

PICKLE CROW GOLD MINES (CONSOLIDATED)
LIMITED

Per N. B. KEEVIL
President

c/s

J. A. S. GIBSON
Secretary





AR22

SILVERFIELDS MINING CORPORATION LIMITED

SUITE 4900
P.O. BOX No. 49

TORONTO-DOMINION CENTRE
TORONTO 1, CANADA

TEL: 416-362-1571
TELEX: 02-29087

October 11, 1968.

To the Shareholders:

We wish to advise that the proposal of amalgamation with Pickle Crow Gold Mines Limited outlined in the letter to shareholders of August 7, 1968 was adopted at the General Meeting of shareholders on August 29, 1968 and became effective September 2, 1968.

As previously stated, no exchange in present certificates will be required by individual Silverfields shareholders, as their basis of exchange was 1 share for 1 share, and the amalgamated company retains the name of Silverfields Mining Corporation Limited.

The annual report for the fiscal year ended August 31, 1968 is now under preparation and should be going forward to shareholders in November. Preliminary results indicate net earnings will be practically unchanged from those reported last year, the higher price received for silver being offset by Federal income taxes for the year and the treatment of lower grade ore. Further details will be available in the forthcoming report.

The advantages and savings resulting from the merger will be effective in the current 1968-69 fiscal year.

On behalf of the Board,

N. B. Keevil
President

STATEMENT OF EARNINGS

For the 6 months ended February 29
(Unaudited)

INCOME	1968	1967
Bullion production	\$1,206,044	\$1,007,984
Less: Smelting, refining, marketing	62,629	49,948
Royalties	115,194	96,256
	<u>1,028,221</u>	<u>861,780</u>
OPERATING EXPENSES		
Mining	179,881	167,824
Milling	96,900	78,015
Exploration and development	107,804	130,275
General mine expenses ..	54,395	67,052
Administration expenses ..	34,703	33,299
Ontario mining tax	38,765	26,637
	<u>512,448</u>	<u>503,102</u>
MINE OPERATING PROFIT ..	515,773	358,678
INVESTMENT INCOME	30,042	15,008
OPERATING PROFIT	<u>545,815</u>	<u>373,686</u>
Less: Outside exploration ..	2,941	311
Provision for depreciation	35,969	34,069
Amortization of deferred develop- ment	<u>1,796</u>	<u>1,019</u>
EARNINGS BEFORE INCOME TAXES	40,706	35,399
TAXES	505,109	338,287
PROVISION FOR INCOME TAXES	<u>159,768</u>	<u>—</u>
NET EARNINGS	<u>\$ 345,341</u>	<u>\$ 338,287</u>
NET EARNINGS PER SHARE ..	23.02¢	22.55¢

STATEMENT OF SOURCE AND
USE OF FUNDS

For the 6 months ended February 29
(Unaudited)

SOURCE OF FUNDS	1968	1967
Net earnings for the period	\$ 345,341	\$ 338,287
Add: Non-cash charges		
Depreciation	35,969	34,069
Amortization	1,796	1,019
	<u>383,106</u>	<u>373,375</u>
USE OF FUNDS		
Investments and advances	50,306	6,482
Additions to buildings, machinery and equipment	6,489	27,294
Deferred development ..	10,219	3,677
Joint mining ventures ...	9,884	4,377
Federal 5% special re- fundable tax	—	21,262
	<u>76,898</u>	<u>63,092</u>
Increase in working capital	\$ 306,208	\$ 310,283
Working capital — beginning of year	\$1,501,187	\$1,002,485
Add: Increase in working capital	306,208	310,283
Working capital as at February 29	<u>\$1,807,395</u>	<u>\$1,312,768</u>

MINE OPERATION

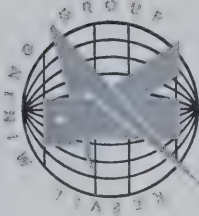
For the 6 months ended February 29

	1968	1967
Tons milled	35,514	39,713
Tons daily	195	219
Recovery per ton	16.4 oz.	18.7 oz.
Recoveries:		
Silver (ounces)	582,899	742,071
Copper (pounds)	46,442	41,775
Cobalt (pounds)	31,973	29,385
Average price for silver re- ceived on settlements ...	\$2.076	\$1.385

All statements contained in this report are unaudited, contain estimates and are subject to adjustment on final smelter and refinery settlements.

Executive Office

Suite 4900
Toronto-Dominion Centre
TORONTO, ONTARIO



HALF YEARLY
REPORT
FEBRUARY 29, 1968

To the Shareholders:

Reflecting the higher silver prices of the first six months of the fiscal period ended February 29, 1968, production income was up 20% at \$1,206,044 over a comparable period of the 1967 year. The number of silver ounces produced was lower as the higher silver price permitted the economic extraction of lower grade ore, and tonnage treated was off by 4,199 tons due to temporary mechanical problems in the mill.

After providing for usual expenses, mine operating profit was \$515,773 compared with \$358,678 in the six months of 1967. After investment income, outside exploration and write-offs for depreciation and deferred development, net earnings (before taxes) were up 49.3% at \$505,109; this compares with \$338,287 in the 1967 period. As the company is now out of its tax-free period, 1968 earnings were reduced by income taxes of \$159,768 to \$345,341. Net earnings per share for the six-month period are 23.0¢ in 1968 and 22.5¢ in 1967.

Working capital position increased by \$306,208 to \$1,807,395.

Of particular importance to the future of the mine was the opening up of the sixth level and an advance of 309 feet toward the ore location following shaft sinking in fiscal 1967. On the third level the 308W drift encountered considerable high grade material in the No. 8 vein complex during the period.

During November, a crosscut was advanced under the old Meteor workings

and a raise broken through, materially improving ventilation throughout the mine, and relieving the shaft area of troublesome freezing conditions during the winter months. On all levels, development continued at a normal rate of progress.

Stopping operations continued in a routine manner, with broken ore reserves showing little change during the six-month period.

Diamond drilling above the third level indicated the extension of veins No. 1 and No. 9 to points 111 feet above this level on the Silverfields property.

In conjunction with the adjoining Silver Summit mine, a programme of drilling, drifting, and raising was started during September 1967 from the Silverfields third level. A strong calcite structure was followed into the Silver Summit property and a raise, which was advanced 40 feet to break into an old level, proved the existence of ore-grade material. Ore from the raise totalled 125 tons at an estimated grade of 29.4 ounces per ton. This ore is being stockpiled in an empty stope pending the arrangement of separate milling procedures. Drilling is continuing.

At the Ragged Chutes Silver Mines Limited property in Coleman Township, in which your company holds a major share interest, work started in the latter part of September 1967. Line cutting and surface mapping were carried out in the north and central portions of the property. The Marks shaft was deepwatered and workings on the 70-foot level

were examined. Thirteen diamond drill holes totalling 4,554 feet have been drilled from surface in the north portion of the property. Most of the holes were drilled to test the extensions of veins which were exposed in underground workings at the Marks and Old Chap shafts, and have not intersected significant silver values.

Negotiations have been successfully concluded with the Silverfields property leaseholders, extending the leasing arrangements under the same terms until July 1982.

It is of interest to note that on January 4, 1968, three years and four months after the first ore shipment, and two years after the start of its own mill, the 5,000,000th ounce of silver was produced.

On behalf of the Board,



N. B. KEEVIL

President

March 26, 1968

SILVERFIELDS MINING CORPORATION LIMITED

<i>directors</i>	J. H. HIRSHHORN, New York, New York Chairman of the Board, Callahan Mining Corporation
	S. KAY, BME, P.ENG., Scarborough, Ontario President, International Mine Services Limited
	N. B. KEEVIL, M.Sc., PH.D., Port Credit, Ontario President, Teck Corporation Limited, and other companies
	D. A. PERIGOE, Toronto, Ontario Vice-President, Gardiner, Watson Limited
	R. J. WRIGHT, B.A., LL.B., Toronto, Ontario Partner, Lang, Michener, Cranston, Farquharson & Wright
<i>officers</i>	N. B. KEEVIL, President
	S. KAY, Vice-President
	R. J. WRIGHT, Secretary
	J. H. WESTELL, Treasurer
<i>mine manager</i>	W. C. SUMMERS, B.Sc., P.ENG.
<i>head office</i>	Suite 4900, Toronto-Dominion Centre, Toronto, Ontario
<i>mine office</i>	Cobalt, Ontario
<i>transfer agent and registrar</i>	CANADA PERMANENT TRUST COMPANY Toronto, Ontario

HIGHLIGHTS — 1968

- Financial results summarized:
 - Gross production \$2,505,293
 - Mine operating profit \$1,086,356
 - NET EARNINGS \$ 717,858 or 47.8¢ per share

- Working capital up \$762,209 at \$2,263,396

- 76,705 tons of ore milled for a recovery of 1,100,074 ounces of silver

- Average price received for silver \$2.32 per ounce

- Amalgamation plan with Pickle Crow Gold Mines Limited effective September 2, 1968



© Karsh, Ottawa

PRESIDENT'S LETTER

TO THE SHAREHOLDERS:

Your directors are pleased to submit the fifth annual report of the company covering the fiscal year ended August 31, 1968.

In the year under review production tonnage was maintained at the same rate as in the previous year. The treatment of lower grade ore — an average of 14.75 ounces silver per ton compared with 18.68 ounces the previous year — resulted in a lower number of ounces produced, but production income was up substantially due to higher silver prices. During the fiscal year the company received an average of \$2.32 per ounce for its silver compared with \$1.57 per oz. in the previous year. Settlement prices were subject to considerable fluctuation in the period ranging from a high of \$2.64 to a low of \$1.97 per ounce.

For the year ended August 31, 1968, 76,705 tons were milled with 1,100,074 ounces of silver being produced for a gross metal value of \$2,505,293. After payment of treatment charges and royalties, net proceeds were \$2,149,533 up from \$1,833,451 in the 1967 year. Mine operating profit after deducting regular expenses was \$1,086,356 and after adding investment income of \$72,407 and deducting write-offs of \$80,505, net earnings before taxes were \$1,078,258. This compares with \$770,411 in the previous year. In the 1968 fiscal year the company was subject to a full period of taxation and as a result provision for income taxes was increased to \$360,400, from \$25,000 in the previous year, and net earnings were reduced to \$717,858 equivalent to 47.8¢ per share. In 1967 net earnings were \$745,411 or 49.7¢ per share. After providing for capital expenditures of \$110,024 working capital was increased by \$762,209 to \$2,263,396.

In the main mine area, development and exploration work proceeded on a routine basis with ore reserves being maintained around the same tonnage as that of the previous year.

On the Silver Summit joint programme, ore intersections were developed on the No. 1 and No. 12 Veins from the Silverfields' third level. Stopping was started on the No. 13 Vein with 1,200 tons being custom milled with an average recovery of 12.3 ounces silver per ton.

During the year, Ragged Chutes Silver Mines Limited property, Coleman Township, in which your company holds a major interest, was prospected on surface, and the Marks Shaft was re-opened for the examination of workings on the 70-foot level. Twenty diamond drill holes totalling 9,495 feet were drilled from surface and three holes totalling 1,405 feet were drilled from the 70-foot level at the Marks Shaft. In addition, one 548-foot hole was drilled on the Lorrain Township claims. No economically significant silver occurrences have been encountered to date. The Coleman Township property covers about 400 acres in the Cobalt area and exploration is continuing.

During the year negotiations were successfully concluded with the leaseholders of the Silverfields' property whereby the terms of the lease were extended until July 1982.

As shareholders have been previously advised, a proposal of amalgamation with Pickle Crow Gold Mines Limited was adopted at the general meeting of shareholders held on August 29, 1968 and became effective September 2, 1968. The advantages and savings resulting from the merger will be effective in the 1968-69 fiscal year. As the first directors of the new amalgamated company were named in the Letters of Amalgamation, the next meeting of shareholders is not due until after the end of the current fiscal year. Quarterly reports will be sent to shareholders in the 1968-69 fiscal year.

In the current year it is anticipated that mine operations will approximate those of the past year, the most important influence on the net result being the price received for silver. The company will be more active in outside exploration and will participate with other companies in the Keevil Mining Group in this programme.

On behalf of the Board,

November 20, 1968

N. B. KEEVIL,
President

Balance Sheet as at

ASSETS

	1968	1967
CURRENT ASSETS		
Cash	\$ 36,748	\$ 112,690
Short-term deposits	1,675,000	650,000
Bullion settlements — at estimated net realizable value	763,650	877,497
Accounts receivable	29,244	7,414
Prepaid expenses and deposits	10,420	10,605
Stores and materials — at cost	68,245	48,249
	<u>2,583,307</u>	<u>1,706,455</u>
FEDERAL SPECIAL 5% REFUNDABLE TAX	<u>25,924</u>	<u>33,609</u>
INVESTMENTS IN SHARES AND ADVANCES TO ASSOCIATED COMPANIES — at cost	<u>98,291</u>	<u>27,705</u>
FIXED ASSETS		
Buildings, machinery and equipment, on leasehold land — at cost	487,253	473,095
Accumulated depreciation	246,888	173,799
	<u>240,365</u>	<u>299,296</u>
Mining claims and leases — at nominal value	<u>1</u>	<u>1</u>
	<u>240,366</u>	<u>299,297</u>
DEFERRED EXPENDITURE		
Joint mining ventures — at cost (note 1)	71,094	60,079
Exploration and development — at cost, less amortization	20,244	10,177
	<u>91,338</u>	<u>70,256</u>
 Signed on behalf of the Board:		
N. B. KEEVIL, Director		
STEPHEN KAY, Director		
	<u>\$3,039,226</u>	<u>\$2,137,322</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Silverfields Mining Corporation Limited as at August 31, 1968 and the statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at August 31, 1968 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

October 25, 1968
Toronto, Ontario

McDONALD, CURRIE & CO.,
Chartered Accountants.

August 31, 1968

LIABILITIES

	1968	1967
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 62,868	\$ 38,796
Accrued production royalties	76,409	87,794
Taxes payable	180,634	78,678
	<u>319,911</u>	<u>205,268</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 2)		
Authorized —		
3,000,000 shares with a par value of \$1 each		
Issued and fully paid —		
1,500,005 shares	1,500,005	1,500,005
Discount thereon	<u>1,065,000</u>	<u>1,065,000</u>
	435,005	435,005
RETAINED EARNINGS	<u>2,284,310</u>	<u>1,497,049</u>
	2,719,315	1,932,054

NOTES:

1. The amount shown for joint mining ventures represents costs to date and is not intended to reflect present or future value.
2. On September 2, 1968, under the provisions of Section 96 of The Corporations Act (Ontario), application for letters patent of amalgamation was granted for Silverfields Mining Corporation Limited confirming the statutory amalgamation of Pickle Crow Gold Mines (Consolidated) Limited and Silverfields Mining Corporation Limited. Upon amalgamation all the outstanding shares of Pickle Crow Gold Mines (Consolidated) Limited were converted into 17,777 fully-paid Class A shares with a par value of \$4.00 each and all the outstanding shares of Silverfields Mining Corporation Limited were converted into 1,500,005 fully-paid common shares without par value of the company.
3. Remuneration of two officers and the four highest paid employees amounted to \$56,651.
4. The company's producing mining property is held under a lease expiring on July 4, 1982, the terms of which provide for a minimum annual royalty payment of \$5,000.
5. The company proposes to claim for income tax purposes capital cost allowances in excess of the amounts of depreciation and amortization recorded in the accounts. The amount of tax involved has not been reflected because it is not significant.

<u>\$3,039,226</u>	<u>\$2,137,322</u>
--------------------	--------------------

STATEMENT OF RETAINED EARNINGS

For the Year Ended August 31, 1968

	1968	1967
BALANCE — BEGINNING OF YEAR	\$1,497,049	\$ 976,639
Add: Net earnings for year	717,858	745,411
Gain on disposal of investments	69,403	—
	<u>2,284,310</u>	<u>1,722,050</u>
Deduct: Dividends paid ..	—	225,001
BALANCE — END OF YEAR	<u>\$2,284,310</u>	<u>\$1,497,049</u>

SILVERFIELDS MINING CORPORATION LIMITED

STATEMENT OF EARNINGS

For the Year Ended August 31, 1968

	1968	1967
INCOME		
Bullion production	\$2,505,293	\$2,148,667
Less: Smelter, refinery, freight and marketing expenses	115,091	109,263
Royalties	240,669	205,953
	<u>355,760</u>	<u>315,216</u>
	2,149,533	1,833,451
OPERATING EXPENSES		
Mining	379,272	354,664
Milling	196,157	172,404
Exploration and development	225,226	280,741
General mine and administrative expenses	109,339	97,155
Head office and corporate expenses	71,450	63,912
Directors' fees	7,733	4,800
Ontario mining tax	74,000	50,000
	<u>1,063,177</u>	<u>1,023,676</u>
MINE OPERATING PROFIT	1,086,356	809,775
OTHER INCOME		
Interest income	72,407	36,718
OPERATING PROFIT FOR THE YEAR — before depreciation, amortization and exploration	<u>1,158,763</u>	<u>846,493</u>
Outside exploration	3,218	2,209
Provision for depreciation	73,088	71,814
Amortization of exploration and development	4,199	2,059
	<u>80,505</u>	<u>76,082</u>
EARNINGS FOR THE YEAR BEFORE TAXES	1,078,258	770,411
PROVISION FOR INCOME TAXES	360,400	25,000
NET EARNINGS FOR THE YEAR	<u>\$ 717,858</u>	<u>\$ 745,411</u>

STATEMENT OF SOURCE AND USE OF FUNDS

For the Year Ended August 31, 1968

	1968	1967
SOURCE OF FUNDS		
Net earnings for the year	\$ 717,858	\$ 745,411
Add: Charges not requiring cash outlay —		
Depreciation	73,088	71,814
Amortization	4,199	2,059
	<u>795,145</u>	<u>819,284</u>
Gain on disposal of investments	69,403	—
Federal special 5% refundable tax	7,685	—
	<u>872,233</u>	<u>819,284</u>
USE OF FUNDS		
Investments and advances	70,586	11,150
Additions to buildings, machinery and equipment (net)	14,157	47,945
Deferred expenditures	25,281	12,169
Federal special 5% refundable tax	—	24,317
Dividends paid	—	225,001
	<u>110,024</u>	<u>320,582</u>
INCREASE IN WORKING CAPITAL	<u>762,209</u>	<u>498,702</u>
WORKING CAPITAL — BEGINNING OF YEAR	1,501,187	1,002,485
Increase in working capital	762,209	498,702
WORKING CAPITAL — END OF YEAR	<u>\$2,263,396</u>	<u>\$1,501,187</u>

REPORT ON OPERATIONS

PRODUCTION

The mill operated satisfactorily throughout the year. Average milling rate was 210 tons per day compared with 208 in the previous year.

	1968	1967
Ore milled (dry tons)	76,705	76,030
Silver recovered	1,100,074	1,398,422
Tailings (ounces/ton)	0.25	0.34
Calculated heads (ounces/ton)	14.75	18.68
Recovery (percent)	98.30	98.10

In addition to the silver, 52,115 pounds of cobalt and 85,355 pounds of copper were produced.

OPERATING COSTS

Following is a comparative analysis of mine operating costs.

		1968		1967	
	Totals	Cost/ton Milled	Cost/ounce Produced	Cost/ton Milled	Cost/ounce Produced
Mining	\$379,272	\$ 4.94	34.5¢	\$ 4.66	25.4¢
Milling	196,157	2.56	17.8	2.27	12.3
Exploration and development	225,226	2.94	20.5	3.69	20.1
General	109,339	1.42	9.9	1.13	6.1
	\$909,994	\$11.86	82.7¢	\$11.75	63.9¢

DEVELOPMENT AND EXPLORATION

Development continued on all levels. Ore development represented 21% of mill feed. The sixth level was developed to the No. 1 Vein system in Keewatin basement rock. An ore pass was driven from the sixth to the fifth.

On the third level No. 7 and No. 8 Veins were extended beyond expected ore horizons. The No. 11 system was extended north easterly to break into Meteor Adit workings.

On the fourth level Nos. 8S, 9, 11, 13 and 15 Veins were extended east and west in favourable sediments extending ore lengths. On the fifth level Nos. 2, 4W, 6, 8S, 9 and 13 Veins were driven well past ore indications to prepare for stope development.

SUMMARY

	1968	1967
Drifting and crosscutting	4,614	5,320
Raising	109	788
Diamond drilling	20,902	24,799
Shaft sinking	—	68.5

ORE RESERVES

Indicated reserves remained about the same after milling 76,205 tons. Broken ore reserves decreased 4,587 tons to 47,013.

CAPITAL EXPENDITURES

During the year expenditures totalled \$14,157. This represents security fences at the mine site and mill, diamond drill core storage and underground tramming equipment.

SILVER SUMMIT JOINT PROGRAMME

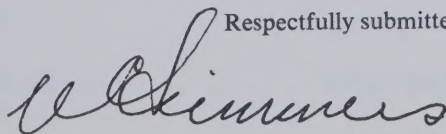
Ore intersections were developed from Silverfields' third level on the No. 13 and No. 1 Veins. Stoping was started on the No. 13 Vein and 1,200 tons was custom milled with a return of 12.3 ounces per ton.

GENERAL

No major difficulties were experienced during the year. The labour force was adequate and stable at 84. A new labour contract will be negotiated this coming year.

The writer wishes to express his appreciation to all of those whose efforts and co-operation contributed so much to this year's progress.

Respectfully submitted,



W. C. SUMMERS
Mine Manager

November 11, 1968

SILVERFIELDS MINING CORPORATION LIMITED

COMPARATIVE FIGURES

FISCAL YEAR ENDED AUGUST 31	1968	1967	1966	1965	1964
Tons of ore treated	76,705	76,030	65,084	37,041	13,831
Grade — ounces/ton	14.75	18.68	22.29	33.96	40.76
Ounces	1,100,074	1,398,422	1,423,971	1,232,367	564,485
Bullion production	\$2,505,293	\$2,148,667	\$1,930,334	\$1,658,644	\$ 759,407
Less: Marketing, smelting	115,091	109,263	100,997	76,519	41,203
Royalties	240,669	205,953	183,913	161,942	108,710
	<u>2,149,533</u>	<u>1,833,451</u>	<u>1,635,424</u>	<u>1,420,183</u>	<u>609,494</u>
EXPENSES —					
Mining	379,272	354,664	268,412	223,154	—
Milling	196,157	172,404	159,560	163,816	64,678
Exploration and development	225,226	280,741	239,114	157,676	247,772
General	109,339	97,155	103,420	74,563	36,653
	<u>909,994</u>	<u>904,964</u>	<u>770,506</u>	<u>619,209</u>	<u>349,103</u>
Mine operating profit	1,239,539	928,487	864,918	800,974	260,391
Less: Head office and corporate expense	71,450	63,912	32,054	37,292	19,073
Directors' fees	7,733	4,800	800	—	—
	<u>1,160,356</u>	<u>859,775</u>	<u>832,064</u>	<u>763,682</u>	<u>241,318</u>
Add: Investment income	<u>72,407</u>	<u>36,718</u>	<u>17,355</u>	<u>3,986</u>	<u>—</u>
OPERATING PROFIT	1,232,763	896,493	849,419	767,668	241,318
Less: Outside exploration	3,218	2,209	539	7,393	—
Depreciation and deferred development	77,287	73,873	65,534	22,941	16,811
Mining and income tax	<u>434,400</u>	<u>75,000</u>	<u>49,551</u>	<u>47,842</u>	<u>25,100</u>
NET EARNINGS	\$ 717,858	\$ 745,411	\$ 733,795	\$ 689,492	\$ 199,407
— per share	47.8¢	49.7¢	48.9¢	45.9¢	13.4¢
Mine operating costs					
— per ton	\$ 11.86	\$ 11.75	\$ 11.84	\$ 16.72	\$ 25.24
— per ounce	82.7¢	63.9¢	54.1¢	50.2¢	61.8¢
Working capital	\$2,263,396	\$1,501,187	\$1,002,485	\$ 591,873	\$ 110,538

